

SENATE BILL 735
By Tracy

AN ACT to amend Tennessee Code Annotated, Title 67,
Chapter 4, Part 20, relative to excise taxation.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-2008(a), is amended by adding the following language as a new subdivision:

(14) Any Subchapter S corporation, as defined by 26 U.S.C. §1361, which is family-owned. For purposes of this subdivision, "family-owned" means that one hundred percent (100%) of the shareholders of the corporation are members of the same family, which means, with respect to an individual, only:

(A) An ancestor of such individual;

(B) The spouse or former spouse of such individual;

(C) A lineal descendent of such individual, of such individual's spouse or former spouse, or of a parent of such individual;

(D) The spouse or former spouse of any lineal descendent described in subdivision (a)(14)(C); or

(E) The estate or trust of a deceased individual who, while living, was as described in any of subdivisions (a)(14)(A)-(D).

For purposes of this subdivision, a legally adopted child of an individual shall be treated as the child of such individual by blood.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it, and shall apply to tax years ending on or after June 30, 2005.